



AUDIT LETTER

June 30, 2019

DRAFT

MEALS ON WHEELS PEOPLE, INC.

Table of Contents

	Page
Communication with Those Charged with Governance	1
Schedule of Adjusting Journal Entries	4
Schedule of Uncorrected Misstatements	5

DRAFT

Communication with Those Charged with Governance

The Board of Directors
Meals on Wheels People, Inc.

We have audited the financial statements of Meals on Wheels People, Inc. (the Organization) for the year ended June 30, 2019, and have issued our report thereon dated [REDACTED]. Professional standards require that we provide you with the following information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated April 22, 2019. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Organization are described in *Note 2* to the financial statements. During the year ended June 30, 2019, the Organization adopted the guidance contained in *Accounting Standards Update (ASU) 2016-14, Presentation of Financial Statements of Not-for-Profit Entities*, which addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. No other new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2019. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were as follows:

- Management's estimates of the Organization's beneficial interest in charitable remainder trusts and liabilities under charitable gift annuities are based on actuarial assumptions applied to discounted cash flows.
- Management's estimate of the carrying value of certain investments held at community foundations (the foundations) is based on valuations performed by management of the foundations as described in *Note 16* to the financial statements.

Significant Audit Matters - Continued

Qualitative Aspects of Accounting Practices - Continued

- Management's estimate of depreciation expense is based on management's determination of the estimated useful lives of various assets, which range from 2 to 50 years as defined within the Organization's accounting policies.
- Management's estimate of bequests is based in part on valuations performed by third-party appraisals and adjusted for legal and miscellaneous fees and current market conditions.
- Management's estimates of the allocation of functional costs is based on management's past experience and allocation method.

We evaluated the key factors and assumptions used to develop these estimates in determining they are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were the disclosures of the concentrations described in *Note 14*, the financial instruments with concentrations of credit risk as described in *Note 15*, and the fair value hierarchy and methods used to determine fair value of certain assets as described in *Note 16*. We have evaluated the information provided by management in these disclosures and have evaluated whether the information therein is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management provided us with several adjustments during the fieldwork portion of the audit as additional information was received and after management had provided us with a working trial balance. However, these adjustments were not the result of our auditing procedures. We also proposed, or proposed in conjunction with management, several audit adjustments as a result of our audit procedures. These adjustments are summarized in the schedule on page 4.

In addition, during our audit, we noted the existence of certain misstatements, for which any adjustment has been waived. These misstatements are summarized in the schedule on page 5. Management has determined their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report no such disagreements arose during the course of our audit.

Significant Audit Matters - Continued

Management Representations

We have requested certain representations from management that are included in the management representation letter dated [REDACTED].

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the Organization’s financial statements or a determination of the type of auditors’ opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Information Related to the Audited Financial Statements

With respect to the Schedule of Expenditures of Federal Awards (SEFA) included with the reports required by *Government Auditing Standards* and Uniform Guidance, accompanying the financial statements, we made certain inquiries of management, and evaluated the form, content, and methods of preparing the information to determine it complies with the Uniform Guidance, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the SEFA to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

* * * *

This communication is intended solely for the information and use of the Board of Directors and management of the Organization and is not intended to be, and should not be, used by anyone other than these specified parties.

Lake Oswego, Oregon
[REDACTED]

MEALS ON WHEELS PEOPLE, INC.
Schedule of Adjusting Journal Entries
June 30, 2019

	Increase (Decrease) in:					Beginning Net Assets
	Assets	Liabilities	Revenue	Expenses	Net Assets	
Amounts per June 30, 2019, general ledger - unaudited	\$ 20,548,895	\$ 526,239	\$ 12,178,821	\$ 12,090,023	\$ 20,022,656	\$ 19,933,858
Adjustments provided by management:						
To reclassify expenses with direct donor benefit	-	-	(22,280)	(22,280)	-	-
To record Q4 FYE 2019 activity for the investments held at community foundations	17,608	-	17,608	-	17,608	-
To adjust accounts receivable and rental revenue	(3,152)	-	(3,152)	-	(3,152)	-
Adjustments made in conjunction with management:						
To record deferred lease incentive for the Vancouver diner	85,000	61,818	-	(23,182)	23,182	-
To adjust accounts receivable and contract revenue	(1,679)	-	(1,679)	-	(1,679)	-
Audit adjustments:						
To record year two of grant, contributions receivable and contribution revenue	100,000	-	100,000	-	100,000	-
To record trademarks and amortization	9,522	1,485	-	(8,037)	8,037	-
Adjustments less than \$5,000	-	-	(600)	(600)	-	-
Net effect of audit adjustments	207,299	63,303	89,897	(54,099)	143,996	-
Amounts per June 30, 2019, audited financial statements	<u>\$ 20,756,194</u>	<u>\$ 589,542</u>	<u>\$ 12,268,718</u>	<u>\$ 12,035,924</u>	<u>\$ 20,166,652</u>	<u>\$ 19,933,858</u>

MEALS ON WHEELS PEOPLE, INC.
Schedule of Uncorrected Misstatements
June 30, 2019

	Increase (Decrease) in:				
	Assets	Liabilities	Expenses	Change in Net Assets	Beginning Net Assets
Current period uncorrected misstatements:					
To reverse accrued audit fees	\$ -	\$ (43,188)	\$ (1,219)	\$ 43,188	\$ 41,969
To record the effects of the deferred lease incentive in the prior and current years	-	-	7,727	-	7,727
To record accounts receivable for vacation time taken in excess of policy	20,765	-	(20,765)	20,765	-
Total current period uncorrected misstatements	<u>\$ 20,765</u>	<u>\$ (43,188)</u>	<u>\$ (14,257)</u>	<u>\$ 63,953</u>	<u>\$ 49,696</u>